United Nations ECE/TRADE/C/2014/7

Economic and Social Council

Distr.: General
5 February 2014

Original: English

Economic Commission for Europe

Committee on Trade

Sixth session
10-12 February 2014
Item 7 of the provisional agenda
Aid for Trade in the countries of the United Nations Special Programme for the Economies of Central Asia and other countries with economics in transition*

Aid for Trade in SPECA and other countries with economies in transition: summary of conference discussions[1]

I. Introduction

1. UNECE's activities in support of Aid-for-Trade (AfT) activities in SPECA countries commenced in 2009, which saw the launching of the "AfT Roadmap for SPECA Initiative" in cooperation with a group of countries and development partners, including: Azerbaijan, Kyrgyzstan, the Islamic Trade Finance Corporation, the International Trade Centre (ITC), the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organisation (UNIDO). The Initiative seeks to support SPECA countries' AfT activities in the following areas:[2]

- Developing national supply side capacity, including productive capacity and institutional frameworks.
- Harnessing cross-border cooperation.

* This document was submitted late due to delayed inputs.

[1] SPECA is the United Nations Special Programme for Central Asia and covers the following countries: Afghanistan. Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. SPECA is supported by both the UNECE and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). All of the countries are members of both Commissions with the exception of Afghanistan which is only a member of UNESCAP

[2] These areas were established under the Baku Ministerial Declaration that was adopted by SPECA countries at the end of a Ministerial Conference that was held on 1-2 December 2010 in Baku, Azerbaijan.

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- Facilitating the beneficial integration of SPECA countries into the multilateral trading system

2. To support consensus-building on AfT priorities under the above-mentioned areas, the UNECE organized four regional and international events in 2013, including:

- ***A half-day meeting on increasing the agricultural sector's contribution to food security,*** which was organized on 9 July 2013 together with the UN Trade Cluster, as a side event to the World Trade Organization (WTO) 4th Global Review of Aid for Trade that took place in Geneva, Switzerland from 8 July to 10 July 2013.[3]
- ***A 2 day conference on implementing AfT Roadmaps,*** which was held on 10-11 July 2013 back- to- back with the 4th Global Review. [4]
- ***A brainstorming meeting on the implementation of the AfT Roadmap for SPECA***, which was held on 10 July 2013 in Geneva, Switzerland.[5]
- A ***regional conference to support SPECA countries' resource mobilization efforts***, which was held on 8-9 October 2013 in Dushanbe, Tajikistan in conjunction with the SPECA Project Working Group on Trade annual meeting (7-10 October 2013).[6]

3. The events brought together representatives from the public and private sectors, thereby serving as executive forums for exchanging experiences in implementing reform measures aimed at reducing regulatory and procedural barriers to trade, and exploring avenues for joint action.

4. This document summarizes the outcome of these events, with a view to inform the Committee on Trade's discussions on supporting AfT processes in SPECA countries.

II. Discussion points

5. The discussions evolved around three policy issues. The first relates to the imperative of grounding national AfT processes in regional initiatives. This imperative is all the more important in view of the land-locked status of SPECA countries, which renders participate in international trade dependent on their ability to use the transport facilities of neighbouring countries.

6. The second area concerns capitalizing on emerging opportunities associated with trade in climate-smart goods, as this would directly contribute to achieving increased specialization in products with high value-added. The third pertains to fostering the trade sector's contribution to food security.

[3] A report of the meeting is available on the WTO website at:
http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13prog_e/global_review13prog_e.htm
[4] The agenda and presentations delivered during the conference are available at:
http://www.unece.org/tradewelcome/aft-speca/aid-for-trade-roadmap-for-speca-initiative-meetings-and-events.html
[5] The agenda and presentations delivered during the conference are available at:
http://www.unece.org/tradewelcome/aft-speca/aid-for-trade-roadmap-for-speca-initiative-meetings-and-events.html
[6] The agenda and presentations delivered during the conference are available at:
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A. Trade facilitation

7. Participants emphasized that trade facilitation should be conceived in the broadest possible terms to take into account both behind and at-the-border regulatory and procedural measures. The starting point would be to reduce the number of trade documents that traders have to submit for the purpose of customs clearance. Immediate measures could involve addressing instances of repetitive submissions; removing unnecessary trade documents; and cutting down on red tape. This is essential not only for reducing transaction costs, but also for drawing benefits from the Single Window facilities for exports and imports that are being developed in SPECA countries.

8. Governments should also accord priority treatment to establishing secure electronic payments according to international best practices like those recommended by the United Nations Commission on International Trade Law (UNCITRAL); creating standardized and transparent pricing systems for government services; and, developing risk management systems for customs and other state agencies involved in cross-border trade transactions.

9. Equally important is the need to address the problem of inadequate testing laboratories, and the complex conformity assessment procedures that generate non-tariff barriers. Participants noted that conformity certificates issued by national bodies are not recognised by major trade partners, including immediate neighbours, so that traders are faced with the need for double certification both in their country and abroad.

10. While SPECA countries could draw on internationally recognized best practices, attention should be made to base lesson drawing on a clear understanding of the specific conditions of individual countries and stage of development. Several countries lack the required information and communication technology infrastructure and expertise skills. At the same time, the enterprises, the target beneficiaries of reform measures are often ill-equipped to accrue benefits. For example , it would be difficult to expect Single Window facilities to generate such benefits as time and financial savings for traders, when the bulk of the enterprises lack the capacity to use electronic documents.

11. The point was also made that enterprises are not properly involved in decision making processes, so that their needs are not well addressed. Several participants were of the view that consultations between the government and the private sector could be further strengthened by investments in institutional mechanisms that would allow for systematic, as opposed to ad hoc discussions. There is also a need to invest in modern management systems for disseminating up-to-date information on trade-related legislation and procedures, and to give a priority to familiarizing the private sector with the multi-lateral trading system

12. In addition, governments need to reconsider existing legislation, which tend to be based on the "presumption of innocence". Traders are treated as guilty, so that they are held up by border control agencies and in some cases, they are held up even if the regulations do not stipulate heavy control. There is a need to shift the mission of border control agencies from the existing focus on implementing fiscal control to the provision of trade facilitation services.

13. Participants emphasized that national development efforts should be conceived with an eye to fostering regional cooperation. This is important because all SPECA countries are land-locked, rendering their participation in foreign trade impossible without the use of the transport facilities of neighbouring countries. The problem facing individual countries stem from the lack of proper coordination mechanisms to foster cross-border relations. In addition, the region continues to suffer from (i) fragmented regional road transport connections; (ii) aging infrastructure; (iii) outdated border facilities and equipment; and, (iv) inefficiencies in border crossing due to bureaucratic procedures and inconsistent border policies and regulations.

14. These factors combine to yield different sets of challenges and priorities in each landlocked country, which should be addressed. For example, the relative impact of weak surrounding infrastructure is particularly severe for countries such as Tajikistan, which mainly exports primary commodities with low value to cost ratios rather than high value products or services. Weak transit infrastructure also limits the return to investment on landlocked countries' internal infrastructure, since market opportunities are constrained.

15. Participants noted that the trade carridors that are being implmeneted in the region with the support of the international community play an important role in addressing these weaknesses. However, benefits continue to be undermined by border tensions, and the lack of proper coodination among donors.

16. Reflecting on the negotiations on trade facilitation, which were still proceeding at the time of the events, participants saw the conclusion of an international agreement on trade facilitation as an framework for guiding national and regional efforts. Such an agreement would allow for:

- Clarifying and improving GATT Articles V (Freedom of Transit), VIII (Fees and Formalities connected with Importation and Exportation) and X (Publication and Administration of Trade Regulations), with a view to further expediting the movement, release and clearance of goods, including goods in transit.[7]
- Enhancing Technical Assistance and support for Capacity Building (TACB) in the area of Trade facilitation.
- Enhancing cooperation on trade facilitation and customs compliance issues.

17. For SPECA member countries, the challenge would be to develop clear strategies for structuring commitments and for estimating the necessary financial costs. This is important because the implementation of certain commitments (the so-called category C) is conditioned upon the delivery of technical and financial assistance. This is an area where the support of the UNECE and the WTO gains much importance.

B. Emerging opportunties for acheaving economic diversification: climate- smart goods

18. Participants stressed the importance of capitalizing on emerging development opportunities generated form trade in climate-smart goods (CSGs), understood as products that are designed to prevent, limit, minimize or correct the environmental impact from carbon emissions, could result in a triple win for economic growth, trade and environment. The market potential for such goods is significant, estimated by UNESCAP at as much as USD 35 billion per year in exports, with China, Japan and the Republic of Korea generating most of this value.[8]

19. Immediate benefits from increased specialisation in CSGs include the absorption of climate-smart technologies at the enterprise level, new job opportunities and aiternative and reliable energy sources. These benefits would, in turn, set the context for stimulating the creation of new technology and services, thereby driving economy-wide structural transformation toward "green industries" that decouple growth from resource use and pollution.

[7] Article V provides for hassle-free movement of transit goods through the territory of other WTO Members. Article VIII seeks to rationalize and simplify border procedures, formalities and charges. Article X requires prompt publication of trade laws and regulations and their uniform, impartial and reasonable administration

[8] UNESACP (2011) "Climate-smart Trade and Investment in Asia and the Pacific: Towards a Triple-win Outcome", Studies in Trade and Investment, No.73, Bangkok, Thailand: United Nations.

20. Several participants noted that as they set out to design the required policies for supporting such a specialization, governments need to attach special emphasis on reducing non-tariff barriers. Development experiences also point to the necessity of targeted investments in climate-smart technologies,[9] along with industry-specific incentives to support enterprises with the potential to supply CSGs at low cost. A first step in this direction would be to develop the required system of technical regulations and standards. Many of the internationally recognized standards emerged from the national level, with EU countries and USA standing as the main contributors to standards development. Low and middle-income countries have been mainly standard takers.

C. Increasing the contribution of agriculture to food security

21. Achieving food security is a challenging development objective. It requires ensuring the availability of sufficient supplies at affordable prices, providing adequate nutrition levels, protecting public safety and meeting consumers' cultural expectations.

22. In transition economies, delivering on this objective is further complicated by weak productive capacities in agriculture and food manufacturing; insufficient natural resource endowments; high poverty rates; and, in some cases, inadequate land-title systems. These shortcomings have meant that most of these countries are net food importers

23. The need to integrate farmers and food producers into agricultural value chains is evident. Whether regional or global, these value chains are increasingly seen as a vehicle for empowering small farmers and manufacturers by providing them with access to knowledge, finance, inputs and technology while, at the same time, reducing production and trade related transaction costs.

24. A key message emerging from the discussions was that achieving such benefits requires marshalling value-chain participation for the benefit of agricultural development. Efforts should focus on both import and exports. The logic is simple. While imports could play an important role in satisfying local demand, achieving food security would be difficult under conditions of insufficient supply of local agricultural products.

25. Participants stressed that governments should promote voluntary sustainability standards (VSS), which are critical for: (i) ensuring sustainable production and consumption methods (including opportunities for energy/material/resource efficiency and cost savings); (ii) promoting competitiveness in the growing and lucrative "sustainability" markets; and, (iii) facilitating the internalization of environmental and social costs.

26. In addition, farmers and food producers should be assisted to ensure compliance with requirements in importing countries at reasonable cost. Experience shows that an immediate measure would be to assist existing Conformity Assessment Bodies (CABs) in achieving international recognition. Where CABs are non-existent, governments could select foreign CABs. Farmers and food producers should also be assisted in improving their bargaining positions. Experience shows that this could be achieved through supporting agricultural cooperatives, improving market information services and developing trade-related infrastructure

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[9] Climate smart technologies are technologies, which are clean and contribute to energy efficiency and conservation or use renewable energy. These technologies are divided under four categories: Solar PV; energy efficient lighting; clean coal technologies; and, wind power generation. For a detailed discussion on this subject see, UNESACP (2011) "Climate-smart Trade and Investment in Asia and the Pacific: Towards a Triple-win Outcome", Studies in Trade and Investment, No.73, Bangkok, Thailand: United Nations.